

TOWNSHIPS OF PITTSFORD AND
JEFFERSON FIRE DEPARTMENT

AUDIT REPORT

MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Government Name Townships of Pittsford + Jefferson Fire Dept		County Hillsdale	
Audit Date 3/31/04		Opinion Date 8/1/04		Date Accountant Report Submitted to State: 9/15/04			

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Bailey, Hodshire + Company, PC			
Street Address 479 E Chicago St		City Jonesville	State MI
Accountant Signature Bailey, Hodshire + Company, PC		ZIP 49250	

Bailey, Hodshire
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INDEPENDENT AUDITOR'S REPORT

To the Fire Board
Townships of Pittsford and
Jefferson Fire Department
Pittsford, Michigan

We have audited the accompanying general purpose financial statements of the Townships of Pittsford and Jefferson Fire Department as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Townships' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance as of that date.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003 fund balances, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Townships of Pittsford and Jefferson Fire Department, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bailey, Hodshire & Company, PC

Jonesville, Michigan
August 1, 2004

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
BALANCE SHEET - ALL FUND TYPES
MARCH 31, 2004

	General Fund
ASSETS	
Cash and Investments	\$ 77,645
Total Assets	<u>\$ 77,645</u>
 LIABILITIES AND FUND BALANCE	
Fund Balance:	
Designated - Fire Vehicles	\$ 65,216
Unreserved/Undesignated	<u>12,429</u>
Total Liabilities and Fund Balance	<u>\$ 77,645</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Pittsford Township Contribution	\$ 30,774	\$ 38,274	\$ 7,500
Jefferson Township Contribution	61,548	69,048	7,500
Contributions from Other Townships	4,500	4,500	0
Charges for Service - Fire Runs	5,538	10,002	4,464
Interest Income	0	2,361	2,361
Miscellaneous Revenue	<u>0</u>	<u>1,750</u>	<u>1,750</u>
Total Revenue	<u>\$ 102,360</u>	<u>\$ 125,935</u>	<u>\$ 23,575</u>
EXPENDITURES			
Salaries	\$ 40,000	\$ 39,990	\$ (10)
Payroll Tax Expense	3,060	3,168	108
Supplies	1,500	2,227	727
Repairs and Maintenance - Building	3,000	291	(2,709)
Telephone	1,500	1,550	50
Electricity	1,000	971	(29)
Heat	2,000	2,712	712
Trucks - Gas and Oil	2,000	2,065	65
Trucks - Repairs	5,000	4,739	(261)
Sewer	300	258	(42)
Insurance	15,500	17,182	1,682
Miscellaneous	3,000	1,523	(1,477)
Capital Outlay	12,500	13,478	978
Training and Education	2,000	2,816	816
Equipment	2,000	9,330	7,330
Contingency	<u>8,000</u>	<u>0</u>	<u>(8,000)</u>
Total Expenditures	<u>\$ 102,360</u>	<u>\$ 102,300</u>	<u>\$ (60)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ 0	\$ 23,635	\$ 23,635
FUND BALANCES - APRIL 1, 2003	<u>54,010</u>	<u>54,010</u>	<u>0</u>
FUND BALANCES - MARCH 31, 2004	<u>\$ 54,010</u>	<u>\$ 77,645</u>	<u>\$ 23,635</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Townships of Pittsford and Jefferson Fire Department is a joint venture of the two aforementioned townships located in Hillsdale County, Michigan. It is governed by a board made up of representatives from each of the Townships. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Fire Board.

Basis of Presentation

The accounts of the Department are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Department are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The general fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when it is "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Department considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Budgetary Data

The Department adopted a budget for the General Fund on the modified accrual basis. Once approved, the Fire Board may amend the legally adopted budget when modifications are required in estimated revenues and appropriations. The amended budget is presented in these financial statements. Encumbrance accounting is not used and all annual appropriations lapse at fiscal year-end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost.

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. The fixed assets are further accounted for in the General Fixed Assets Group of Accounts in the separate audits of the Township of Pittsford and the Township of Jefferson. Each Township's share is shown respectively at one-half of the total cost, with no depreciation provided on the assets.

2. NONCOMPLIANCE WITH STATE BUDGETING LAWS

Act 2 of Public Acts of 1968, as amended by Act 451 of Public Acts of 1982, states that "a deviation from the original general appropriations act [budget] shall not be made without amending the general appropriations act [budget]". For the year ended March 31, 2004, no fund incurred expenditures in excess of the amended budget; however, the following line items in the General Fund had expenditures in excess of amended budget amounts, none of which were material in amount:

<u>Description</u>	<u>Amended Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Payroll Tax Expense	\$ 3,060	\$ 3,168	\$ 108
Supplies	1,500	2,227	727
Telephone	1,500	1,550	50
Heat	2,000	2,712	712
Trucks - Gas & Oil	2,000	2,065	65
Insurance	15,500	17,182	1,682
Capital Outlay	12,500	13,478	978
Training and Education	2,000	2,816	816
Equipment	2,000	9,330	7,330

3. CASH AND INVESTMENTS

Following are the components of the Department's bank deposits at March 31, 2004:

Checking Account	\$ 719
Savings Account	11,710
Certificates of Deposit	<u>65,216</u>
	<u>\$ 77,645</u>

The carrying amount of the Department's bank deposits was \$77,645 and the bank's balance was \$77,941 at March 31, 2004. The entire balance of \$77,941 was covered by federal depository insurance.

State statutes authorize the Department to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

4. UNEMPLOYMENT TAXES

The Department is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

5. RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Department has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

6. DESIGNATED FUND BALANCE

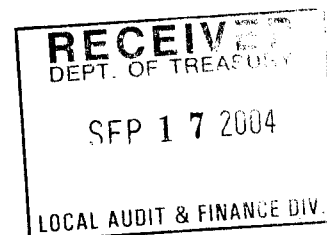
Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. As of March 31, 2004, designated equity is intended for the following purposes:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$65,216	Fire Vehicles
Total Designations	<u>\$65,216</u>	

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August 1, 2004

To the Fire Board
Townships of Pittsford and
Jefferson Fire Department

In connection with our audit of the Townships of Pittsford and Jefferson Fire Department for the year ended March 31, 2004, we would like to make the following comments and recommendations:

1. In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the township's activities, including reporting infrastructure assets (roads, bridges, etc.).

The general provisions of GASB No. 34 must be implemented by Pittsford Township no later than the fiscal year ending 3/31/2005.

2. The Board needs to develop a Capitalization Policy.
3. The budget needs to be amended as needed when expenditures exceed the current budgeted amounts.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Co., P.C.
Certified Public Accountants